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CENTRAL INTELLIGENCE AGENCY  
**INFORMATION REPORT**

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COUNTRY China

SUBJECT Notes on Textile/Steel and Automotive Industries

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1. Only a few mills (cotton) have been moved from Shanghai and they were, I believe, moved to the Northwest but I don't know just where to. Some of the Hung Chang Mills (owned by a Kwato family) and some of the Yung Feng mills were moved. Both these groups of mills were taken over by the Government completely.

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3. The larger cotton mills in Shanghai are still operated by the private owners but under a supervisor. All their raw cotton however is bought through the government. The private mill has to make out a requisition to purchase raw cotton and this goes to the Government for approval through the supervisor.
4. I believe that little if any raw cotton is purchased in the USSR and I doubt if any cotton textiles are imported from that source.
5. The only figures as to capacity of the mills in China that I have heard of was that there were 1,800,000 spindles in operation in China in 1952. All of the mills are reported to be working at least 5 days per week and there is plenty of power. I do not know what labor and power costs are or how these compare with the present cost.
6. There are no Russian technicians or advisors working with the cotton mills and I doubt if there is any Russian capital involved or invested in the Chinese mills.

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7. I am sure that it is only a matter of time till the Government takes over the private mills. In taking over the private mills an appearance of legality is set up. By government pressure or instigation the mills are forced into labor and financial difficulties and the mill is forced into a position where it has to petition the Government, usually through the People's Court, to take over the mill or to come to its financial assistance. Thus the government can claim that the take over was at the "voluntary" request of the owners.
8. The recent news report that China can make enough of its own spindles and loom requirements is a lie, or at least is greatly exaggerated. The Toyoda people in Japan told us (fall of 1958) that Japan could make and export textile machinery to the mainland for half the cost of manufacturing in China. Also that this equipment made in China was very defective and inefficient, that China needed 20,000,000 spindles and could make at the most only a few hundred thousands per year and that all of local make were crude.
9. As to the news report that two new steel mills had been built in Manchuria this may be partially true. The Russians took away most of the steel mill equipment the Japanese had installed there but under pressure from Mao & Co. returned some of it. The parts returned however were unsuitable or could not be used. I have heard from friends in Hongkong that two steel mills have been reassembled here largely from the parts that were imported from Japan.
10. I doubt the report that an automobile factory had been established on the mainland, but have no specific information. I have heard that they have one or more assembly plants but that engines and chassis are imported from Russia. The parts, engines, and chassis are assembled while the bodies are built in China. It makes good Red propaganda to claim that they have an automobile factory even if it is nothing more than an assembly plant.

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